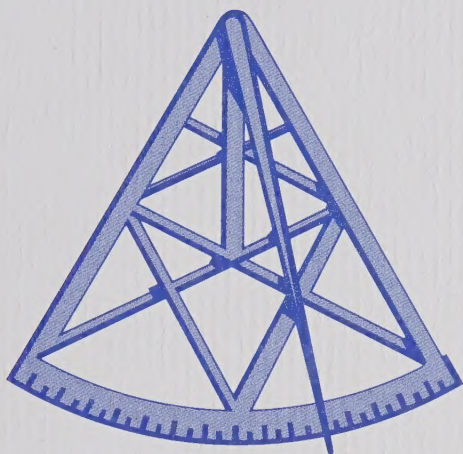



SEP 11 1985

STARGAZER RESOURCES LTD.



**1983
ANNUAL
REPORT**



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STARGAZER RESOURCES LTD.

DIRECTORS

George Ramon Hugo Calgary
John Alexander MacPherson DeWinton
R. Campbell Todd Calgary

OFFICERS

George Ramon Hugo President
Jeanette O. Chabun Secretary

SOLICITORS

MacPherson & Associates
400 Sunrise Square
602 - 11th Avenue S.W.
CALGARY, Alberta T2R 1J8

AUDITORS

Dunwoody & Company
450, 301 - 14th Street N.W.
CALGARY, Alberta T2N 2A1

BANKERS

Canadian Imperial Bank of Commerce
309 - Eighth Avenue S.W.
CALGARY, Alberta T2P 2P2

REGISTRAR AND TRANSFER AGENT

The Canada Trust Company
Vancouver, British Columbia
Calgary, Alberta
Regina, Saskatchewan

EXECUTIVE OFFICES

1750, 144 - Fourth Avenue S.W.
CALGARY, Alberta T2P 3N4

LISTING

Vancouver Stock Exchange Symbol (SZR)

ANNUAL MEETING

The Annual and Special General Meeting of Shareholders of the Company will be held in the Lake Louise Room of the Westin Hotel, 4th Avenue and 3rd Street S.W., Calgary, Alberta at 11:00 o'clock in the forenoon, December 19, 1983.

TO THE SHAREHOLDERS

The past year has been a difficult year for your company. Our hopes were pinned to our minor, but potentially highly significant interest, in two deep exploratory wells in Texas. These wells were the Hubberd #1 Well and the Nueces #1 Well both in McMullen County, Texas.

At the time of writing the operator was preparing to abandon the Hubberd #1 well which had been drilled to a total depth of 21,500 feet. This ranks as a major disappointment since a drilling rig had been on this hole for approximately 15 months. Many mechanical problems were encountered in the drilling of this well and these culminated in the drilling of a deviated hole in order to undertake final testing of the well. The potential target did not contain the postulated trillions of cubic feet of gas which the original geological prognosis had deemed possible. The drilling of this well incurred costs in excess of twenty million dollars for the participants collectively, and while Stargazer's participation was very minor as to the total dollars involved, it was major relative to Stargazer's financial resources. The Nueces #1 well, which also had the potential for the discovery of major reserves, was abandoned some months ago and while much less expensive than Hubberd #1 was also a major disappointment.

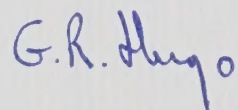
STARGAZER RESOURCES LTD.

These two events were very much underway when I took over the Presidency of your company earlier this year. A private placement of treasury stock was arranged so that the financial obligation could be completed. At the moment the company has little cash and its principal asset is its 966 gold claims in the Savant Lake area of Northern Ontario. We are presently examining the possibility of having others do further exploratory work on this large spread of claims. Since we became involved in this play the area around us has been staked very heavily and the Hemlo area to the south of us has become very active.

For its very existence Stargazer must undertake some form of financing. Your management is presently reviewing a situation which has the prospect for putting some cash and some oil and gas assets into Stargazer. We would hope to be able to tell you more about these proposals some time early in 1984.

The present time has to be a time for regrouping and formulating our future plans for Stargazer. The past year, while disappointing, has not sounded the death knell of our small company and I hope that I will be in a position to report more positively some 12 months from now.

For the Board of Directors,



G. R. Hugo
President

STARGAZER RESOURCES LTD.

FINANCIAL STATEMENTS

YEAR ENDED
JUNE 30, 1983

AUDITORS' REPORT

To the Shareholders of
Stargazer Resources Ltd.

We have examined the balance sheet of Stargazer Resources Ltd. as at 30 June, 1983 and the statement of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at 30 June, 1983 and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Dunwoody & Company

Calgary, Alberta
9 September, 1983

CHARTERED ACCOUNTANTS

STARGAZER RESOURCES LTD.

BALANCE SHEET AS AT 30 JUNE, 1983

ASSETS

CURRENT

Cash	
Term deposits	
Accounts receivable	
Prepaid expenses	

1983	1982 (Restated)
\$ 33,152	\$ 35,804
235,058	500,000
—	300,751
1,147	456
269,357	837,011
1,118,179	301,365
<u>\$1,387,536</u>	<u>\$1,138,376</u>

FIXED, notes 1, 2 and 3	
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LIABILITIES

CURRENT

Accounts payable and accrued liabilities	
Advances received on share subscriptions, note 4	
Joint venture deposit	
Current portion of long-term debt	

\$ 167,788	\$ 8,098
235,000	—
—	200,000
—	495
402,788	208,593
—	495
—	(495)
—	—
<u>402,788</u>	<u>208,593</u>

LONG-TERM DEBT	
Less portion due within one year	

SHAREHOLDERS' EQUITY

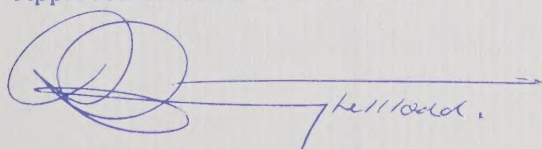
SHARE CAPITAL, notes 4,6 and 9	
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984,748	929,783
<u>\$1,387,536</u>	<u>\$1,138,376</u>

COMMITMENT, note 7

SUBSEQUENT EVENT, note 9

Approved on behalf of the Board:



, Director

G.R. Hugo

, Director

STARGAZER RESOURCES LTD.

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE, 1983

WORKING CAPITAL WAS PROVIDED BY

Issue of share capital	\$ 54,965	\$ —
Proceeds on disposal of fixed assets	394	—

1983	1982
\$ 54,965	\$ —
394	—
<u>55,359</u>	<u>—</u>

WORKING CAPITAL WAS USED FOR

Petroleum and natural gas properties	761,697	—
Staking and exploration of mining properties, net of depreciation expense of \$1,825 (1982 - \$2,404) and loss of disposal of assets of \$110	55,511	4,431
Acquisition of furniture and fixtures	—	4,855
Reduction of long-term debt	—	495

761,697	—
55,511	4,431
—	4,855
—	495
<u>817,208</u>	<u>9,781</u>

DECREASE IN WORKING CAPITAL

(761,849)	(9,781)
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Working capital, beginning of year

628,418	638,199
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WORKING CAPITAL (DEFICIT), END OF YEAR

<u>\$(133,431)</u>	<u>\$ 628,418</u>
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Represented by

Current assets	\$ 269,357	\$ 837,011
Current liabilities	(402,788)	(208,593)

\$ 269,357	\$ 837,011
(402,788)	(208,593)
<u>\$(133,431)</u>	<u>\$ 628,418</u>

STARGAZER RESOURCES LTD.

NOTES TO FINANCIAL STATEMENTS

30 JUNE, 1983

1. SIGNIFICANT ACCOUNTING POLICIES

a) Mining properties

The Company follows the full cost method of accounting whereby all costs relative to acquiring, exploring and developing properties are capitalized. The proceeds received for a partial disposition are credited to the costs and until the properties are abandoned, sold or placed on production, no gain or loss is recognized. The net costs of properties surrendered or abandoned are written off in the year of surrender. The costs relative to acquiring, exploring and developing properties will be depleted based on a composite unit-of-production method based on the total estimated recoverable reserves.

The values at which properties are carried may not be indicative of the underlying value of the properties, as activities of the Company are exploratory in nature at this point in time.

b) Petroleum and natural gas properties and equipment

The Company follows the full cost method of accounting for its petroleum and natural gas properties wherein all costs relative to the exploration for and development of petroleum and natural gas and related reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical expenses, lease rentals and undeveloped properties, costs of drilling both productive and non-productive wells, interest and other carrying charges, and all technical and administrative overhead directly related to exploration and development activities. No gains or losses are recognized upon the sale or disposition of properties except in circumstances which result in significant dispositions of reserves. Provision for depletion of the net costs is computed on the composite unit-of-production method based on proven reserves of the Company as determined by the Company and substantiated periodically by independent professional engineers.

The values at which properties are carried may not be indicative of the underlying value of the properties, as activities of the Company are exploratory in nature at this point in time.

c) Depreciation

Furniture and fixtures are depreciated at 20% per annum on the declining balance basis.

d) Foreign exchange

Foreign currencies have been translated to Canadian dollars as follows:

Non current assets and liabilities at the rates in effect at dates of transaction and current assets and liabilities at rates in effect at the end of the year.

2. MINING PROPERTIES

The Company has staked a gold prospect comprising 966 claims in the Savant Lake area of North-western Ontario. In order to maintain the claims in good standing the Company must carry out certain work commitments on the claims. These claims are currently in good standing. No further work need be done on these claims to maintain their good standing until 1984.

**NOTES TO
FINANCIAL STATEMENTS (Continued)
30 JUNE 1983**

3. FIXED ASSETS

	1983		1982	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Petroleum and natural gas properties	\$ 761,697	\$ —	\$ —	\$ —
Mining properties, including exploration thereon	349,192	—	291,746	—
Furniture and fixtures	13,069	5,779	13,856	4,237
	<u>1,123,958</u>	<u>5,779</u>	<u>305,602</u>	<u>4,237</u>
Cost less accumulated depreciation	<u>\$1,118,179</u>		<u>\$301,365</u>	

4. ADVANCES RECEIVED ON SHARE SUBSCRIPTIONS

By a subscription letter dated 17 May, 1983, the Company agreed to issue 618,421 Common shares at a price of \$.38 per share. A warrant was attached to each share entitling the investor to purchase an additional 618,421 shares at \$.63 per share at any time on or before 18 June, 1984.

As at 30 June, 1983, the shares had not been issued, however, full cash consideration was received.

5. REMUNERATION OF OFFICERS AND DIRECTORS

Salary and benefits of \$34,310 was paid to two officers for services rendered. Management fees in the amount of \$25,000 were paid to a Company controlled by an officer and director of the Company. During the year, there were no payments to directors for their services as a director.

6. SHARE CAPITAL, see note 4

Details of the Company's share capital are as follows:

- (a) Authorized
10,000,000 Common shares of no par value
- (b) Issued
3,117,760 Common shares (1982 - 2,897,900 shares)

During the year the Company issued shares as follows:

	Number of shares	Amount
For cash pursuant to share options	<u>219,860</u>	<u>\$54,965</u>

- (c) Share options

At 30 June, 1983, there were options outstanding for the purchase of 69,930 shares of the Company at a price of \$.25 per share. The options expire in 1987.

**NOTES TO
FINANCIAL STATEMENTS (Continued)
30 JUNE 1983**

7. COMMITMENT

The Company has leased premises at \$456 per month plus occupancy costs. The lease expires 30 April, 1984.

8. SEGMENTED INFORMATION

	1983		
	Canada	United States	Consolidated
Identifiable assets	<u>\$349,192</u>	<u>\$761,697</u>	<u>\$1,110,889</u>
Corporate assets			276,647
Total assets			<u>\$1,387,536</u>

	1982		
	Canada	United States	Consolidated
Identifiable assets	<u>\$291,746</u>	<u>\$ —</u>	<u>\$ 291,746</u>
Corporate assets			<u>\$ 846,630</u>
			<u>\$1,138,376</u>

9. SUBSEQUENT EVENT

Subsequent to year-end, the Company issued 618,421 Common shares at \$.38 per share, pursuant to the agreement more fully described in note 4.

10. RESTATED FIGURES

Certain 1982 figures have been restated to correspond to the current year's presentation.

